

REGULATION OF BANK INDONESIA
NUMBER 20/5/PBI/2018
ON
MONETARY OPERATION

WITH THE BLESSINGS OF THE ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

- Considering :
- a. that to accomplish the objectives of Bank Indonesia, namely to achieve and maintain rupiah stability, Bank Indonesia establishes and implements monetary policy;
 - b. that to implement the monetary policy, Bank Indonesia exercises monetary control, among others through monetary operation in a conventional manner and adhering to sharia principle;
 - c. that to strengthen effectiveness of the monetary policy transmission, it is necessary to make efforts to reformulate monetary policy framework in a sustainable manner;
 - d. that as part of efforts to reformulate monetary policy framework in a sustainable manner, Bank Indonesia strengthens provisions for monetary operation, among others pertaining to participation permit for monetary operation;
 - e. that based on the foregoing considerations set forth in letter a until letter d, it is necessary to establish a Regulation of Bank Indonesia on Monetary Operation;

- Observing : 1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as last amended by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
2. Law Number 24 of 1999 on Foreign Exchange Flows and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);

HAS DECIDED:

To issue : REGULATION OF BANK INDONESIA ON MONETARY OPERATION

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Regulation:

1. Bank means a commercial bank, sharia commercial bank, and sharia business unit.
2. Commercial Bank means a commercial bank carrying out its business activities in a conventional manner as set forth in the Law on banks.
3. Sharia Commercial Bank, hereinafter referred to as SCB, means a commercial bank carrying out its business

activities adhering to sharia principle as set forth in the Law on sharia banks.

4. Sharia Business Unit, hereinafter referred to as SBU, means a sharia business unit as set forth in the Law on sharia banks.
5. Monetary Operation means monetary policy implementation by Bank Indonesia to exercise monetary control in a conventional manner and adhering to sharia principle.
6. Conventional Monetary Operation, hereinafter referred to as CMO, means monetary policy implementation by Bank Indonesia to exercise monetary control in a conventional manner.
7. Sharia Monetary Operation, hereinafter referred to as SMO, means monetary policy implementation by Bank Indonesia to exercise monetary control adhering to sharia principle.
8. Open Market Operation, hereinafter referred to as OMO, means transactional activities in the money market and/or foreign exchange market conducted by Bank Indonesia with Banks and/or other parties for Monetary Operation in a conventional manner and adhering to sharia principle.
9. Conventional Open Market Operation, hereinafter referred to as Conventional OMO, means transactional activities in the money market and/or foreign exchange market conducted by Bank Indonesia with commercial banks and/or other parties.
10. Sharia Open Market Operation, hereinafter referred to as Sharia OMO, means transactional activities in the money market adhering to sharia principle and/or foreign exchange market conducted by Bank Indonesia with SCB, SBU, and/or other parties.
11. Standing Facilities mean rupiah lending facility from Bank Indonesia to Banks and rupiah deposit facility by Banks in Bank Indonesia for Monetary Operation in a conventional manner and adhering to sharia principle.

12. Conventional Standing Facility means rupiah lending facility from Bank Indonesia to commercial banks and rupiah deposit facility by commercial banks in Bank Indonesia.
13. Sharia Standing Facility means rupiah financing facility from Bank Indonesia to SCB or SBU and rupiah deposit facility by SCB or SBU in Bank Indonesia.
14. Bank Indonesia Certificate, hereinafter referred to as SBI, means securities in rupiah currency issued by Bank Indonesia as acknowledgment of short-term indebtedness.
15. Sharia Bank Indonesia Certificate, hereinafter referred to as SBIS, means securities adhering to sharia principle in rupiah currency issued by Bank Indonesia with a short term.
16. Bank Indonesia Deposit Certificate, hereinafter referred to as SDBI, means securities in rupiah currency issued by Bank Indonesia as acknowledgment of short-term indebtedness, which may only be traded between commercial banks.
17. Bank Indonesia Securities in Foreign Currency, hereinafter referred to as Foreign Currency SBBI, means securities in foreign currency issued by Bank Indonesia as acknowledgment of short-term indebtedness.
18. Sovereign Securities, hereinafter referred to as SBN, mean sovereign debt securities and sovereign sharia securities.
19. Sovereign Debt Securities, hereinafter referred to as SUN, means sovereign debt securities as set forth in the Law on sovereign debt securities.
20. Sovereign Sharia Securities, hereinafter referred to as SBSN, mean sovereign sharia securities as

set forth in the Law on sovereign sharia securities.

21. Business Day means the business days of Bank Indonesia, including the limited operational business days of Bank Indonesia.

CHAPTER II

OBJECTIVES OF MONETARY OPERATION

Article 2

- (1) Monetary Operation aims to support achievement of monetary stability.
- (2) The Monetary Operation set forth in paragraph (1) is implemented in the money market and foreign exchange market in an integrated manner.
- (3) The Monetary Operation set forth in paragraph (1) may be implemented in a conventional manner and adhering to sharia principle.

Article 3

- (1) To achieve the monetary stability set forth in Article 2 paragraph (1), CMO is aimed at controlling the interest rate in Overnight Interbank Money Market (PUAB O/N) and maintaining rupiah exchange rate stability.
- (2) The interest rate in PUAB O/N set forth in paragraph (1) is controlled to fluctuate around Bank Indonesia rate.
- (3) To control the interest rate in PUAB O/N set forth in paragraph (2), Bank Indonesia conducts liquidity management in rupiah money market through liquidity absorption and/or liquidity injection.
- (4) The Bank Indonesia rate set forth in paragraph (2) means Bank Indonesia 7-day (Reverse) Repo Rate.

Article 4

- (1) The rupiah exchange rate set forth in Article 3 paragraph (1) is maintained to steadily fluctuate in line with the fundamental exchange rate.
- (2) To maintain rupiah exchange rate stability set forth in paragraph (1), Bank Indonesia makes intervention and/or other transactions in the foreign exchange market.

Article 5

To achieve the monetary stability set forth in Article 2 paragraph (1), SMO is aimed at influencing liquidity adequacy in the money market adhering to sharia principle and foreign exchange market.

Article 6

- (1) The SMO set forth in Article 5 is implemented adhering to sharia principle.
- (2) Sharia principle fulfillment set forth in paragraph (1) is stated in the form of fatwa issuance and/or sharia opinion by the authority competent in issuing fatwa and/or sharia opinion.

Article 7

- (1) To influence liquidity adequacy in the money market adhering to sharia principle set forth in Article 5, Bank Indonesia conducts liquidity management through liquidity absorption and/or liquidity injection.
- (2) To influence liquidity adequacy in the money market set forth in paragraph (5), Bank Indonesia makes intervention and/or other transactions in the foreign exchange market.

CHAPTER III

IMPLEMENTATION OF MONETARY OPERATION

Article 8

Monetary Operation is implemented through:

- a. OMO; and
- b. Standing Facilities.

Article 9

- (1) The OMO set forth in Article 8 letter a may be implemented by Bank Indonesia on Business Days.
- (2) The OMO set forth in paragraph (1) is implemented through tender and/or non-tender mechanism.

Article 10

- (1) The Standing Facilities set forth in Article 8 letter b are implemented by Bank Indonesia on Business Days.
- (2) The Standing Facilities set forth in paragraph (1) are implemented through non-tender mechanism.

Part One

CMO Implementation

Article 11

CMO is implemented in the following forms:

- a. Conventional OMO; and
- b. Conventional Standing Facilities.

Section 1

Conventional OMO

Article 12

The Conventional OMO set forth in Article 11 letter a is implemented through:

- a. issuance of SBI, SDBI, and/or Foreign Currency SBBI;
- b. repurchase agreement (repo) transactions and/or reverse repo of securities;
- c. outright purchase and/or sale of securities;
- d. rupiah term deposit with Bank Indonesia;
- e. foreign currency term deposit with Bank Indonesia;

- f. purchase and sale of foreign currencies against rupiah; and/or
- g. other transactions in rupiah and foreign exchange market.

Article 13

- (1) Conventional OMO participants may execute an early redemption of the rupiah term deposit with Bank Indonesia set forth in Article 12 letter d and foreign currency term deposit with Bank Indonesia set forth in Article 12 letter e by meeting certain criteria.
- (2) The foreign currency term deposit with Bank Indonesia set forth in Article 12 letter e may be shifted by Conventional OMO participants to Bank Indonesia's foreign currency swap transactions against rupiah.

Article 14

- (1) The foreign currency term deposit with Bank Indonesia set forth in Article 12 letter e may reduce the overall net foreign exchange, which must be maintained by Commercial Banks at the end of business days as specified in the laws and regulations on the overall net open position of commercial banks.
- (2) The highest amount of foreign currency term deposit with Bank Indonesia, which may reduce the net open position set forth in paragraph (1), equals to the lowest amount of:
 - a. the overall net open position at the end of the corresponding business day before being deducted from the foreign currency term deposit with Bank Indonesia;
 - b. the foreign currency term deposit with Bank Indonesia; or
 - c. 5% (five percent) of a commercial bank's capital.
- (3) Commercial banks must make daily reports on the overall net open position at the end of a business day as specified in the laws and regulations on net open position of

commercial banks after calculating the foreign currency term deposit with Bank Indonesia as a reduction factor.

- (4) If a commercial bank fails to submit the report set forth in paragraph (3), the foreign currency term deposit with Bank Indonesia will not be calculated as a reduction factor to the net open position.

Article 15

In the Conventional OMO activities set forth in Article 12 letter b, Bank Indonesia may use the securities of other parties as determined by Bank Indonesia.

Article 16

Further provisions for the Conventional OMO implementation are specified in a Regulation of Members of the Board of Governors.

Section 2

Conventional Standing Facilities

Article 17

Conventional Standing Facilities have a term of 1 (one) Business Day.

Article 18

- (1) Lending facility in Conventional Standing Facilities is extended when Bank Indonesia receives repo of securities in rupiah from participants of Conventional Standing Facilities.
- (2) The securities set forth in paragraph (1) may take the following forms:
 - a. SBI;
 - b. SDBI;
 - c. SBN; and/or
 - d. any other high-quality and liquid securities as determined by Bank Indonesia.

Article 19

Deposit facility in Conventional Standing Facilities is provided when Bank Indonesia receives fund in rupiah from participants of Conventional Standing Facilities without issuing securities.

Article 20

Further provisions for the Conventional Standing Facilities implementation are specified in a Regulation of Members of the Board of Governors.

Part Two

SMO Implementation

Article 21

SMO is implemented in the following forms:

- a. Sharia OMO; and
- b. Sharia Standing Facilities.

Section 1

Sharia OMO

Article 22

The Sharia OMO set forth in Article 21 letter a is implemented through:

- a. SBIS issuance;
- b. repo and/or reverse repo of securities adhering to sharia principles;
- c. outright purchase and/or sale of securities adhering to sharia principles;
- d. sharia foreign currency term deposit with Bank Indonesia; and/or
- e. other transactions adhering to sharia principles in rupiah and foreign exchange market.

Article 23

- (1) The repo and reverse repo of securities adhering to sharia principles set forth in Article 22 letter b use *al ba'i* contract followed by *wa'd*.
- (2) In the event of change of contract set forth in paragraph (1), the change will be specified in a Regulation of Members of Board of Governors.

Article 24

- (1) The sharia foreign currency term deposit with Bank Indonesia set forth in Article 22 letter d uses *ju'alah* contract.
- (2) Bank Indonesia determines and rewards sharia foreign currency term deposit with Bank Indonesia set forth in paragraph (1).
- (3) In the event of change of contract set forth in paragraph (1), the change will be specified in a Regulation of Members of Board of Governors.

Article 25

Sharia OMO participants may execute an early redemption of the sharia foreign currency term deposit with Bank Indonesia set forth in Article 22 letter d by meeting certain criteria.

Article 26

- (1) The sharia foreign currency term deposit with Bank Indonesia set forth in Article 22 letter d may reduce the overall net open position, which must be maintained by SCB at the end of business days as specified in the laws and regulations on the overall net open position of commercial banks.
- (2) The highest amount of sharia foreign currency term deposit with Bank Indonesia, which may reduce the net open position set forth in paragraph (1), equals to the lowest amount of:
 - a. the overall net open position at the end of the corresponding business day before being deducted

- from the sharia foreign currency term deposit with Bank Indonesia;
- b. the sharia foreign currency term deposit with Bank Indonesia; or
 - c. 5% (five percent) of an SCB's capital.
- (3) SCB must make daily reports on the overall net open position at the end of a business day as specified in the laws and regulations on net open position of commercial banks after calculating the foreign currency term deposit with Bank Indonesia as a reduction factor.
 - (4) If an SCB fails to submit the report set forth in paragraph (3), the sharia foreign currency term deposit with Bank Indonesia will not be calculated as a deduction factor to the net open position.
 - (5) If an SBU makes sharia foreign currency term deposit with Bank Indonesia, the calculated amount of the sharia foreign currency term deposit with Bank Indonesia may function as a deduction factor to a commercial bank's net open position having SBU.
 - (6) If an SBU makes the sharia foreign currency term deposit with Bank Indonesia set forth in paragraph (5), daily reports on the overall net open position at the end of business days after calculating sharia foreign currency term deposit with Bank Indonesia will be submitted by commercial banks having SBU.

Article 27

In the Sharia OMO activities set forth in Article 22 letter b, Bank Indonesia may use the securities of other parties as determined by Bank Indonesia.

Article 28

Further provisions for the Sharia OMO implementation are specified in a Regulation of Members of the Board of Governors.

Section 2
Sharia Standing Facilities

Article 29

Sharia Standing Facilities have the following terms:

- a. Sharia Standing Facilities in the form of financing facility in rupiah from Bank Indonesia to SCB or SBU have a term of 1 (one) Business Days; and
- b. Sharia Standing Facilities in the form of deposit facility in rupiah by SCB or SBU with Bank Indonesia have the maximum term of 14 (fourteen) calendar days.

Article 30

- (1) Financing facility in rupiah in Sharia Standing Facilities is extended when Bank Indonesia receives repo of securities in rupiah adhering to sharia principles from participants of Sharia Standing Facilities.
- (2) The securities set forth in paragraph (1) may take the following forms:
 - a. SBIS; and/or
 - b. SBSN.
- (3) The financing facility in rupiah in the form of SBIS repo set forth in paragraph (2) letter a uses *qard* contract followed by *rahn*.
- (4) The financing facility in rupiah in the form of SBSN repo set forth in paragraph (2) letter b uses *al ba'i* contract followed by *wa'd*.
- (5) In the event of change of the contract set forth in paragraph (3) and paragraph (4), the change will be specified in a Regulation of Members of Board of Governors.

Article 31

- (1) Rupiah deposit facility in Sharia Standing Facilities is provided when Bank Indonesia receives fund in rupiah

from participants of Sharia Standing Facilities without issuing securities.

- (2) The rupiah deposit facility set forth in paragraph (1) is made among others in the form of Sharia Bank Indonesia Deposit Facility (FASBIS).
- (3) The rupiah deposit facility set forth in paragraph (2) uses *wadi'ah* or guaranteed custody contract.
- (4) In the event of the change of contract set forth in paragraph (3), the change will be specified in a Regulation of Members of Board of Governors.

Article 32

Further provisions for the Sharia Standing Facilities implementation are specified in a Regulation of Members of the Board of Governors.

CHAPTER IV MONETARY OPERATION INSTRUMENTS ISSUED BANK INDONESIA

Part One

CMO Instruments Issued by Bank Indonesia

Section 1

SBI, SDBI, and Foreign Currency SBBI

Article 33

SBI has the following characteristics:

- a. has the shortest term of 1 (one) month and longest term of 12 (twelve) months stated in the number of calendar days and calculated starting from 1 (one) calendar day after the settlement date until the due date;
- b. is issued and traded under a discount system;
- c. is issued scripless; and
- d. is negotiable.

Article 34

SDBI has the following characteristics:

- a. has the shortest term of 1 (one) calendar day and longest term of 12 (twelve) months stated in the number of calendar days and calculated starting from 1 (one) calendar day after the settlement date until the due date;
- b. is issued and traded under a discount system;
- c. is issued scripless;
- d. may only be owned by commercial banks; and
- e. is negotiable only between commercial banks.

Article 35

Foreign Currency SBBI has the following characteristics:

- a. has the shortest term of 1 (one) month and longest term of 12 (twelve) months stated in the number of calendar days and calculated starting from 1 (one) calendar day after the settlement date until the due date;
- b. is issued in foreign currencies;
- c. is issued scripless;
- d. may be owned by residents or non-residents in the primary or secondary market;
- e. is tradable; and
- f. is issued and traded under a discount system.

Article 36

Further provisions for the SBI, SDBI, and Foreign Currency SBBI are specified in a Regulation of Members of the Board of Governors.

Section 2

Administration of SBI, SDBI, and Foreign Currency SBBI

Article 37

- (1) Bank Indonesia administers SBI, SDBI, and Foreign Currency SBBI under an electronic administration system in Bank Indonesia.
- (2) The administration system managed by Bank Indonesia set forth in paragraph (1) includes recording system of

ownership and settlement of SBI, SDBI, and Foreign Currency SBBI transactions.

- (3) The recording system of ownership and settlement of SBI, SDBI, and Foreign Currency SBBI transactions set forth in paragraph (2) is conducted scripless.
- (4) Bank Indonesia may appoint another party to support the administration of SBI, SDBI, and Foreign Currency SBBI set forth in paragraph (1).
- (5) If the other party appointed to support the administration of SBI, SDBI, and/or Foreign Currency SBBI set forth in paragraph (4) fails to meet the requirements determined by Bank Indonesia and/or terminate its business activities, Bank Indonesia may revoke the appointment.

Article 38

Bank Indonesia may administer SBI, SDBI, and Foreign Currency SBBI by using other means it determines.

Section 3

Limitation of SBI and SDBI Transactions in the Secondary Market

Article 39

- (1) SBI owners may not make transactions against SBI they own with any other parties within a certain period since they own SBI.
- (2) The provisions set forth in paragraph (1) do not apply to SBI transactions made by Monetary Operation participants with Bank Indonesia.
- (3) The other party appointed to support SBI administration set forth in Article 37 paragraph (4) must administer the SBI of its customers by fulfilling the provisions set forth in paragraph (1).

Article 40

- (1) Commercial Banks may not make SDBI transactions with any parties other than commercial banks.

- (2) The provisions set forth in paragraph (1) do not apply to SBI transactions made by Monetary Operation participants with Bank Indonesia.
- (3) The other party appointed to support SDBI administration set forth in Article 37 paragraph (4) must administer the SDBI of its customers by fulfilling the provisions set forth in paragraph (1).
- (4) An intermediary institution must make SDBI transactions on behalf of its customers by fulfilling the provisions set forth in paragraph (1).
- (5) If SDBI is owned by any party other than a commercial bank, Bank Indonesia will make an early redemption for the SDBI without the approval of its owner.

Article 41

Further provisions for the limitation of SBI and SDBI transactions are specified in a Regulation of Members of the Board of Governors.

Section 4

Redemption of SBI, SDBI, and Foreign Currency SBBI

Article 42

- (1) Bank Indonesia will redeem SBI, SDBI, and Foreign Currency SBBI when due in its nominal amount.
- (2) Bank Indonesia may make an early redemption for SBI, SDBI, and SBBI with the approval of the owner of SBI, SDBI, and Foreign Currency SBBI.

Article 43

Further provisions for the SBI, SDBI, and Foreign Currency SBBI are specified in a Regulation of Members of the Board of Governors.

Part Two

SMO Instruments Issued by Bank Indonesia

Section 1

SBIS

Article 44

- (1) SBIS issued by Bank Indonesia uses *ju'alah* contract.
- (2) Bank Indonesia determines and rewards any SBIS issued.
- (3) Bank Indonesia will pay the reward set forth in paragraph (2) under the following conditions:
 - a. when SBIS is due; or
 - b. prior to the due date, if SCB or SBU fails to meet its SBIS repo obligation.
- (4) In the event of the change of contract set forth in paragraph (1), the change will be specified in a Regulation of Members of Board of Governors.

Article 45

SBIS has the following characteristics:

- a. has the shortest term of 1 (one) month and longest term of 12 (twelve) months stated in the number of calendar days and calculated starting from 1 (one) day after the settlement date until the due date;
- b. is issued scripless;
- c. may be secured to Bank Indonesia;
- d. is non-tradable in the secondary market; and
- e. may only be owned by SCB or SBU.

Article 46

Further provisions for SBIS are specified in a Regulation of Members of the Board of Governors.

Section 2

SBIS Administration

Article 47

- (1) Bank Indonesia administers SBIS under an electronic administration system in Bank Indonesia.

- (2) The administration system managed by Bank Indonesia set forth in paragraph (1) includes recording system of ownership and settlement of SBIS transactions.
- (3) The recording system of ownership SBIS set forth in paragraph (2) is conducted scripless.
- (4) Bank Indonesia may appoint another party to support the administration of SBIS set forth in paragraph (1).

Article 48

Bank Indonesia may administer SBIS by using other means it determines.

Section 3

SBIS Redemption

Article 49

Bank Indonesia will redeem SBIS when due in the nominal amount and pay the reward as set forth in Article 44 paragraph (3).

Article 50

Further provisions for SBIS redemption are specified in a Regulation of Members of the Board of Governors.

CHAPTER V

PERMITS FOR PARTICIPANTS AND INTERMEDIARY

INSTITUTIONS

IN MONETARY OPERATION

Part One

Participants and Intermediary Institutions in Monetary Operation

Article 51

- (1) Monetary Operation participants consist of:
 - a. OMO participants, namely Banks and/or any other parties determined by Bank Indonesia; and
 - b. Standing Facilities participants, namely Banks,

which have obtained permits from Bank Indonesia.

- (2) Intermediary institutions in Monetary Operation consist of:
 - a. brokers in rupiah and foreign exchange market;
and/or
 - b. securities companies appointed by the Finance Minister of the Republic of Indonesia as the main dealer,
which have obtained permits from Bank Indonesia.
- (3) OMO participants may participate in OMO directly and/or indirectly through intermediary institutions.
- (4) Standing Facilities participants may participate directly in Standing Facilities.
- (5) Intermediary institutions may only submit a quote for an OMO transaction for and on behalf of the OMO participant.
- (6) Conventional OMO participants may participate in a Foreign Currency SBBI tender for their own or other parties' interests.

Article 52

Further provisions for participants and intermediary institutions in Monetary Operation are specified in a Regulation of Members of the Board of Governors.

Part Two

Permits for Participants and Intermediary Institutions in Monetary Operation

Article 53

- (1) Any parties who will become participants and intermediary institutions in Monetary Operation must obtain permits from Bank Indonesia.
- (2) To obtain the permit as a Monetary Operation participant set forth in paragraph (1), the participant candidate must submit an application to Bank Indonesia together with

supporting documents as the requirements for Monetary Operation participation.

- (3) To obtain the permit as an intermediary institution in Monetary Operation set forth in paragraph (1), the intermediary institution candidate must submit an application to Bank Indonesia together with supporting documents as the requirements for Monetary Operation participation.

Article 54

- (1) Any Bank as a Monetary Operation participant, which takes strategic and fundamental steps affecting its operational relationship with Bank Indonesia in monetary sector, or any new Bank, which has obtained a business license from the competent authority, must submit a permit as a Monetary Operation participant set forth in Article 53 paragraph (2).
- (2) Any intermediary institution in Monetary Operation, which takes strategic and fundamental steps, or any new intermediary institution, which has obtained a business license from the competent authority, must submit a permit for participation in Monetary Operation set forth in Article 53 paragraph (3).
- (3) The strategic and fundamental steps affecting operational relationship between a Bank and Bank Indonesia set forth in paragraph (1) refer to provisions of Bank Indonesia for integrated license service for operational relationship between banks and Bank Indonesia.

Article 55

Further provisions for permits for participants and intermediary institutions in Monetary Operation are specified in a Regulation of Members of the Board of Governors.

Part Three

Requirements for Obtaining Permits

for Parties that will Become Participants and Intermediary
Institutions in Monetary Operation

Article 56

- (1) Bank Indonesia determines the requirements for obtaining permit for any party, which will become participants and intermediary institutions in Monetary Operation.
- (2) The requirements set forth in paragraph (1) are determined by considering:
 - a. capacity aspect;
 - b. capability aspect; and
 - c. reputation aspect.
- (3) Requirements to be met by parties, which will become participants and intermediary institutions in Monetary Operation set forth in paragraph (1) include:
 - a. institutional aspect;
 - b. infrastructure aspect;
 - c. human resource competence aspect; and
 - d. risk management aspect.

Article 57

The human resource competence aspect set forth in Article 56 paragraph (3) letter c is fulfilled by referring to the provisions of Bank Indonesia for treasury certification and application of market code of ethics.

Article 58

Participants and intermediary institutions in Monetary Operation must submit data, information, and/or details in the event of change of data and/or information on fulfillment of the requirements set forth in Article 56 paragraph (3).

Article 59

Bank Indonesia may appoint the OMO participants set forth in Article 51 paragraph (1) letter a, which meet the requirements

determined by Bank Indonesia, to support the implementation of Monetary Operation transactions.

Article 60

Further provisions for requirements for obtaining permits by any parties, which will become participants and intermediary institutions in Monetary Operation, are specified in a Regulation of Members of the Board of Governors.

Part Four

Revocation of Permits of Participants and Intermediary Institutions in Monetary Operation

Article 61

- (1) Bank Indonesia may revoke the permit of any Bank and/or any other party as a Monetary Operation participant and revoke the permit of a broker in rupiah and foreign exchange market and/or securities company as an intermediary institution in Monetary Operation if the said Bank and/or the other party and broker in rupiah and foreign exchange market and/or securities company:
 - a. has its business license revoked by the relevant authority;
 - b. takes strategic and fundamental steps; and/or
 - c. applies for license revocation as a participant or intermediary institution in Monetary Operation at their own request.
- (2) Further provisions for license revocation as participants and intermediary institutions in Monetary Operation are specified in a Regulation of Members of the Board of Governors.

Part Five

Responsibilities of Participants and Intermediary Institutions in Monetary Operation

Article 62

- (1) Participants and intermediary institutions in Monetary Operation are responsible for the accuracy of the submitted transaction quote data.
- (2) Any participant and intermediary institution in Monetary Operation, which have submitted their transaction quotes, may not cancel their quotes.
- (3) Participants and intermediary institutions in Monetary Operation must follow the procedure and meet the requirements for submission of Monetary Operation transaction quote determined by Bank Indonesia.
- (4) If any participant and intermediary institution in Monetary Operation fail to follow the procedure and meet the requirements set forth in paragraph (3), the submitted transaction quote will be rejected and/or will not be processed by Bank Indonesia.
- (5) Further provisions for the responsibilities of participants and intermediary institutions in Monetary Operation are specified in a Regulation of Members of the Board of Governors.

CHAPTER VI

TRANSACTION SETTLEMENTS IN MONETARY OPERATION

Article 63

- (1) A Monetary Operation participant must have:
 - a. rupiah giro account with Bank Indonesia; and
 - b. foreign currency giro account with Bank Indonesia, if the participant participates in an OMO transaction in foreign currency.
- (2) A Monetary Operation must have a securities account with Bank Indonesia and/or custodial institution determined by Bank Indonesia.
- (3) Any Monetary Operation participant, which participates in Monetary Operation activities, must provide sufficient funds in its rupiah giro account with Bank Indonesia and/or sufficient rupiah securities in its securities

account with Bank Indonesia or custodial institution to settle its obligations on a transaction settlement date.

- (4) Any Monetary Operation participant, which participates in an OMO transaction in foreign currency, must:
 - a. provide sufficient funds in its rupiah giro account with Bank Indonesia;
 - b. provide sufficient funds in its foreign currency giro account with Bank Indonesia; or
 - c. make sufficient fund transfer in foreign currency to the account of Bank Indonesia in a correspondent bank, for transaction settlements.
- (5) If any Monetary Operation participant fails to fulfill the obligations set forth in paragraph (3), the relevant Monetary Operation transaction will be declared canceled.
- (6) If any Monetary Operation participant fails to fulfill the obligations set forth in paragraph (4), the relevant OMO transaction in foreign currency will:
 - a. be declared canceled for term deposit transaction with Bank Indonesia in foreign currency and Foreign Currency SBBI; and
 - b. must be settled after the transaction settlement date, for OMO transaction in the foreign exchange market, except the term deposit transaction with Bank Indonesia in foreign currency and Foreign Currency SBBI set forth in letter a.

Article 64

Bank Indonesia may debit a Monetary Operation participant's giro account with Bank Indonesia and/or its securities account with Bank Indonesia and/or custodial institution to settle the Monetary Operation transaction set forth in Article 63.

Article 65

Further provisions for transaction settlement in Monetary Operation are specified in a Regulation of Members of the Board of Governors.

CHAPTER VII FINANCIAL MARKET MONITORING

Article 66

- (1) To support implementation of Monetary Operation, Bank Indonesia will conduct financial market monitoring.
- (2) The financial market monitoring set forth in paragraph (1) consists of the monitoring of:
 - a. money market;
 - b. money market adhering to sharia principle;
 - c. foreign exchange market;
 - d. SBN market; and/or
 - e. other financial institutions.
- (3) The financial market monitoring set forth in paragraph (1) is conducted through direct or indirect monitoring of transactions.

CHAPTER VIII SUPERVISION OF BANK INDONESIA IN MONETARY OPERATION

Article 67

- (1) Bank Indonesia exercises supervision of Monetary Operation implementation including:
 - a. indirect supervision; and/or
 - b. examination, if required.
- (2) In exercising the supervision set forth in paragraph (1), Bank Indonesia may ask participants and intermediary institutions in Monetary Operation to provide and submit data, information, and/or details required by Bank Indonesia.

CHAPTER IX SANCTIONS

Part One

Sanctions for Monetary Operation Transaction Settlements

Article 68

If a Monetary Operation transaction is declared canceled as set forth in Article 63 paragraph (5), a Monetary Operation participant will be imposed with the following sanctions:

- a. written admonition; and
- b. payment obligation of 0.01% (zero point zero one percent) of the value of the Monetary Operation transaction value being declared canceled set forth in Article 62 paragraph (2), at the minimum of Rp10,000,000.00 (ten million rupiah) and the maximum of Rp100,000,000.00 (one hundred million rupiah).

Article 69

- (1) If canceled transactions are made for three times within 6 (six) months, in addition to the sanctions set forth in Article 68, a Monetary Operation participant will also be imposed with temporary suspension to participate in Monetary Operation activities for 5 (five) consecutive Business Days.
- (2) The temporary suspension set forth in paragraph (1) will be exempted for any unsettled:
 - a. repo transactions for rupiah lending facility of a Conventional Standing Facilities participant coming from intraday liquidity facility transactions; or
 - b. repo transactions for rupiah financing facility of a Sharia Standing Facilities participant coming from sharia intraday liquidity facility transactions.

Article 70

The payment obligation set forth in Article 68 letter b is calculated by using the transaction value in the first leg, for canceled Monetary Operation transaction in the first leg and second leg.

Article 71

In the event of transaction cancellation in the second leg in SMO:

- a. for repo transactions and securities price in second leg transactions lower than the first leg transactions, in addition to the sanctions set forth in Article 68, an SMO participant will be imposed with an additional sanction in the form of payment obligation amounting to the difference between the price in the first leg transaction and that in the second leg after being multiplied by the nominal amount of the repo securities; and
- b. for reverse repo transactions and securities price in second leg transactions higher than the first leg transactions, in addition to the sanctions set forth in Article 68, an SMO participant will be imposed with an additional sanction in the form of payment obligation amounting to the difference between the price in the second leg transaction and that in the first leg after being multiplied by the nominal amount of the reverse repo securities.

Article 72

Any CMO participant failing to fulfill the obligation set forth in Article 63 paragraph (4), which leads to the cancellation of a term deposit transaction with Bank Indonesia in foreign currency and Foreign Currency SBBI set forth in Article 63 paragraph (6) letter a, will be imposed with the following sanctions:

- a. written admonition; and
- b. payment obligation calculated based on
 - 1. the Fed Fund rate effective on the transaction settlement date plus margin of 200 (two hundred) basis points multiplied by the transaction value and multiplied by 1/360 for transactions in United States dollar; and
 - 2. the relevant central bank's or monetary authority's official rate effective on the transaction settlement date plus margin of 200 (two hundred) basis points

multiplied by the transaction value and multiplied by 1/360 for transactions in United States dollar.

Article 73

- (1) Any CMO participant making OMO transactions in the foreign exchange market other than foreign currency term deposit with Bank Indonesia and Foreign Currency SBBI, which fails to fulfill the obligation set forth in Article 63 paragraph (4), must pay the transaction value on the following business day after the transaction settlement date as set forth in Article 63 paragraph (6) letter b.
- (2) In addition to the obligation to pay the transaction value set forth in paragraph (1), a CMO participant will be imposed with the following sanctions:
 - a. written admonition; and
 - b. payment obligation calculated based on
 1. the Fed Fund rate effective on the transaction settlement date plus margin of 200 (two hundred) basis points multiplied by the transaction value and multiplied by 1/360 for payment obligation settlement in United States dollar;
 2. average official rate issued by the relevant central bank or monetary authority effective on the transaction settlement date plus margin of 200 (two hundred) basis points multiplied by the transaction value and multiplied by 1/360 for payment obligation settlement in foreign currencies other than United States dollar; and
 3. the effective average Bank Indonesia rate plus margin of 350 (three hundred fifty) basis points multiplied by the transaction value and multiplied by 1/360 for payment obligation settlement in rupiah.

- (3) The transaction value payment obligation set forth in paragraph (1) and sanction set forth in paragraph (2) will be fulfilled under the following conditions:
 - a. Bank Indonesia will debit the foreign currency giro account of a CMO participant with Bank Indonesia to settle the payment obligation in United States dollar and non-United States dollar foreign currency;
 - b. calculation of the payment obligation in non-United States dollar foreign currency set forth in letter a uses the mid rate of Bank Indonesia on the transaction settlement date; and
 - c. Bank Indonesia will debit the rupiah giro account of a CMO participant with Bank Indonesia to settle its payment obligation in rupiah.

Article 74

If a sharia foreign currency term deposit transaction in Bank Indonesia is declared canceled as set forth in Article 63 paragraph (5), an SMO participant will be imposed with the following sanctions:

- a. written admonition; and
- b. obligation to pay certain percentage of the canceled transaction as published by Bank Indonesia in the transaction plan announcement.

Article 75

- (1) If the sanction imposition margin set forth in Article 72 letter b and Article 73 paragraph (2) letter b changes, such change will be determined in a Regulation of Members of the Board of Governors.
- (2) Further provisions for the sanction imposition procedure pertaining to the settlement of Monetary Operation transactions are specified in a Regulation of Members of the Board of Governors.

Part Two

Sanctions for Limitation of SBI and SDBI Transactions
in the Secondary Market

Article 76

An SBI holder, which is a CMO participant and breaches the provisions set forth in Article 39 paragraph (1), and/or any other party appointed to support SBI administration, which breaches the provisions set forth in Article 39 paragraph (3), will be imposed with the following sanctions:

- a. written admonition; and
- b. payment obligation of 0.01% (zero point zero one percent) of the value of the illegible SBI transaction set forth in Article 39 paragraph (1) and paragraph (3), at the minimum of Rp10,000,000.00 (ten million rupiah) and the maximum of Rp100,000,000.00 (one hundred million rupiah) per day.

Article 77

A commercial bank, which breaches the provisions set forth in Article 40 paragraph (1), and/or any other party appointed to support SDBI administration, which breaches the provisions set forth in Article 40 paragraph (3), will be imposed with the following sanctions:

- a. written admonition; and
- b. payment obligation of 0.01% (zero point zero one percent) of the value of the illegible SDBI transaction set forth in Article 40 paragraph (3), at the minimum of Rp10,000,000.00 (ten million rupiah) and the maximum of Rp100,000,000.00 (one hundred million rupiah) per day.

Article 78

Further provisions for the sanction imposition procedure pertaining to the limitation of SBI and SDBI transactions in the secondary market are specified in a Regulation of Members of the Board of Governors.

Part Three

Sanctions for Monetary Regulation and Supervision and/or Macroprudential Regulation and Supervision

Article 79

Bank Indonesia may apply limitation and/or prohibition of participation in Monetary Operation for any Monetary Operation participants failing to fulfill their obligations specified in the provisions of Bank Indonesia for monetary regulation and supervision and/or the provisions of Bank Indonesia for macroprudential regulation and supervision.

Part Four

Sanctions for Participation in Monetary Operation

Article 80

- (1) If a participant and/or intermediary institution in Monetary Operation fails to submit information on any change of data and/or information on fulfillment of requirements set forth in Article 58, Bank Indonesia will impose the following administrative sanctions:
 - a. written admonition;
 - b. limitation of participation in Monetary Operation;
and/or
 - c. revocation of permit for participation in Monetary Operation.
- (2) Further provisions for the sanction imposition procedure pertaining to the participation are specified in a Regulation of Members of the Board of Governors.

CHAPTER IX

OTHER PROVISIONS

Article 81

- (1) During the period of short-term liquidity loan or short-term sharia liquidity financing, a commercial bank, SCB,

or SBU may only participate in an expansional CMO or SMO.

- (2) Short-term liquidity loan extension or short-term sharia liquidity financing refers to the provisions of Bank Indonesia for short-term liquidity loan extension and short-term sharia liquidity financing

CHAPTER X TRANSITIONAL PROVISIONS

Article 82

- (1) Any Bank and/or broker in rupiah and foreign exchange market, which has participated in Monetary Operation prior to the enforcement of this Bank Indonesia Regulation, must apply for the permit set forth in Article 53 paragraph (1) to Bank Indonesia no later than 6 (six) months upon enforcement of this Bank Indonesia Regulation, under the following conditions:
 - a. for any Bank and/or broker in rupiah and foreign exchange market, which has participated in Monetary Operation but has not met the requirements for obtaining permit as a participant or intermediary institution in Monetary Operation set forth in Article 56, must prepare an action plan;
 - b. the action plan set forth in letter a must be submitted to Bank Indonesia no later than 3 (three) months upon enforcement of this Bank Indonesia Regulation; and
 - c. the action plan set forth in letter b must be approved by Bank Indonesia.
- (2) the action plan set forth in paragraph (1) must be implemented no later than 6 (six) months upon enforcement of this Bank Indonesia Regulation.

Article 83

- (1) If a Bank and/or broker in rupiah and foreign exchange market, which has participated in Monetary Operation prior to the enforcement of this Bank Indonesia Regulation, fail to meet the permit requirements set forth in Article 56 by the term set forth in Article 82, the Bank and/or broker in rupiah and foreign exchange market will be imposed with the following administrative sanctions:
 - a. written admonition;
 - b. limitation of participation in Monetary Operation; and/or
 - c. prohibition from participation in Monetary Operation until fulfillment of the determined requirements set forth in Article 56.
- (2) Further provisions for the administrative sanction imposition procedure pertaining to the participation are specified in a Regulation of Members of the Board of Governors.

Article 84

Any Bank and/or broker in rupiah and foreign exchange market, which have participated in Monetary Operation prior to the enforcement of this Bank Indonesia Regulation but do not apply for the permit within the term set forth in Article 82, may not participate in Monetary Operation.

CHAPTER XI CLOSING PROVISIONS

Article 85

Upon enforcement of this Bank Indonesia Regulation, all implementing regulations of Bank Indonesia Regulation Number 17/17/PBI/2015 dated 10 November 2015 on Bank Indonesia's Securities in Foreign Currencies (State Gazette of the Republic of Indonesia of 2015 Number 264, Supplement to State Gazette of the Republic of Indonesia Number 5753) are declared to remain applicable to the extent they are not in contravention of the provisions hereof.

Article 86

Upon the enforcement of this Bank Indonesia Regulation:

- a. Regulation of Bank Indonesia Number 16/12/PBI/2014 dated 24 July 2014 on Sharia Monetary Operation (State Gazette of the Republic of Indonesia of 2014 Number 178, Supplement to State Gazette of the Republic of Indonesia Number 5567);
- b. Regulation of Bank Indonesia Number 17/17/PBI/2015 dated 10 November 2015 on Bank Indonesia's Securities in Foreign Currencies (State Gazette of the Republic of Indonesia of 2015 Number 264, Supplement to State Gazette of the Republic of Indonesia Number 5753); and
- c. Regulation of Bank Indonesia Number 18/12/PBI/2016 dated 15 August 2016 on Monetary Operation (State Gazette of the Republic of Indonesia of 2016 Number 172, Supplement to State Gazette of the Republic of Indonesia Number 5919);

are repealed and declared null and void.

Article 87

This Regulation starts to take effect as from its promulgation date.

For public recognition, it is hereby ordered this Regulation of Bank Indonesia be promulgated in the State Gazette of the Republic of Indonesia.

Established in Jakarta
on

GOVERNOR OF BANK INDONESIA,

AGUS D.W. MARTOWARDOJO

Promulgated in Jakarta
on

MINISTER OF LAW AND HUMAN RIGHTS
THE REPUBLIC OF INDONESIA,

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2018 NUMBER

ELUCIDATION
ON
REGULATION OF BANK INDONESIA
NUMBER 20/5/PBI/2018
ON
MONETARY OPERATION

I. GENERAL

In Article 7 of Law Number 23 of 1999 on Bank Indonesia as last amended by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia as a Law, it is evidently specified that the objective of Bank Indonesia is to achieve and maintain rupiah stability.

To achieve the objective and face macroeconomic condition challenges, Bank Indonesia conducts monetary control based on monetary policies integrated with macroprudential policies and policies on payment system and rupiah management. The monetary policies are carried out in Monetary Operation, which may be implemented in a conventional manner and adhering to sharia principles.

To strengthen effectiveness of the monetary policy transmission, it is necessary to make efforts to reformulate monetary policy framework in a sustainable manner. Reformulation efforts are made among others through strengthening of monetary operation provisions for participation permit in monetary operation.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory

Article 2

Paragraph (1)

“Monetary stability” means a condition where inflation fluctuates within the target range and exchange rate moves steadily in line with the economic fundamental condition.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 3

Paragraph (1)

“Interest Rate in Overnight Interbank Money Market (PUAB O/N)” means the interest rate on 1 (one) day (overnight) lending transactions in rupiah between commercial banks.

Paragraph (2)

Self-explanatory

Paragraph (3)

“Liquidity absorption” means liquidity decrease in rupiah money market through CMO activities.

“Liquidity injection” means liquidity increase in rupiah money market through CMO activities.

Paragraph (4)

Self-explanatory

Article 4

Paragraph (1)

“Fundamental exchange rate” means an exchange rate reflecting balance between external and internal economic balance.

Paragraph (2)

Self-explanatory

Article 5

Self-explanatory

Article 6

Self-explanatory

Article 7

Paragraph (1)

“Liquidity absorption” means rupiah liquidity decrease in the money market adhering to sharia principles through CMO activities.

“Liquidity injection” means rupiah liquidity increase in the money market adhering to sharia principles through CMO activities.

Paragraph (2)

Self-explanatory

Article 8

Self-explanatory

Article 9

Paragraph (1)

Self-explanatory

Paragraph (2)

Tender is implemented in fixed rate tender or variable rate tender method.

Non-tender mechanism is implemented bilaterally between Bank Indonesia and OMO participants.

Article 10

Paragraph (1)

Self-explanatory

Paragraph (2)

Non-tender mechanism in Standing Facilities is implemented bilaterally between Bank Indonesia and Banks.

Article 11

Self-explanatory

Article 12

Letter a

“Issuance of SBI, SDBI, and/or Foreign Currency SBBI” means sale of SBI, SDBI, and/or Foreign Currency SBBI by Bank Indonesia in the primary market.

Letter b

“Repurchase agreement (repo) transaction” means sale of securities by a Conventional OMO participant to Bank Indonesia with mandatory repurchase by the Conventional OMO participant at the agreed price and within the agreed period.

“Reverse repo transaction” means purchase of securities by a Conventional OMO participant from Bank Indonesia with mandatory resale by the Conventional OMO participant at the agreed price and within the agreed period.

“Securities” mean SBI, SDBI, SBN, and any other high-quality and liquid securities as determined by Bank Indonesia.

Letter c

“Outright purchase and/or sale of securities” means a straightway purchase and sale of securities.

“Securities” mean SBN and any other high-quality and liquid securities as determined by Bank Indonesia.

Letter d

“Term deposit with Bank Indonesia in rupiah” means placement of a Conventional OMO participant's money in a fixed-term with Bank Indonesia in rupiah.

Letter e

“Term deposit with Bank Indonesia in foreign currency” means placement of a Conventional OMO participant's money in a fixed-term with Bank Indonesia in foreign currency.

Letter f

Sale and purchase of foreign currency against rupiah are conducted among others in the form of spot, forward, and/or swap.

“Spot” means sale or purchase between foreign currency and rupiah where the fund is delivered within 2 (two) Business Days after a transaction date.

Spot transaction includes a same-day foreign exchange transaction (today) or 1 (one) Business Day after a transaction date (tomorrow).

“Forward” means sale or purchase between foreign currency and rupiah where the fund is delivered more than 2 (two) Business Days after a transaction date.

“Swap” means exchange of foreign currency against rupiah through cash (spot) purchase or sale or (forward) repurchase simultaneously, with the same counterpart and at an established and agreed rate on a transaction date.

Swap transaction in a tender method conducted between a commercial bank and Bank Indonesia may be deemed as a pass-on of the commercial bank's derivative transactions with its related parties.

Letter g

Self-explanatory

Article 13

Paragraph (1)

Certain requirement to be met by a Conventional OMO participant to apply for an early redemption among others is the participant may apply for an early redemption no earlier than 3 (three) days after the settlement of foreign currency term deposit transaction tender.

Paragraph (2)

“Foreign currency swap against rupiah of Bank Indonesia” means purchase of foreign currency by Bank Indonesia through spot purchase, followed by forward resale of foreign exchange by Bank Indonesia simultaneously, with the same counterpart at an established and agreed rate on a transaction date.

Article 14

Paragraph (1)

“Net open position” means the net open position as specified in the laws and regulations on the net open position of commercial banks.

Paragraph (2)

An example of reduction in a commercial bank's net open position affected by term deposit with Bank Indonesia in foreign currency is as follows:

in million rupiah

No	Capital*	NOP before FCTD		FCTD	FCTD Reducing NOP		Maximum FCTD Reducing NOP	NOP after FCTD	
		NOP Absolute	NOP Ratio		FCTD ≤ NOP	FCTD ≤ 5% of Capital		NOP Absolute	NOP Ratio
	a	b	c	d	e	f	g**	h	i
			c = b/a		d ≤ b	d ≤ 5% x a		h = b-g	i = h/a
1	200,000	30,000	15%	35,000	30,000	10,000	10,000	20,000	10%
2	200,000	30,000	15%	5,000	5,000	10,000	5,000	25,000	12.5%
3	200,000	6,000	3%	6,000	6,000	10,000	6,000	0	0%

- *) Capital means the capital as specified in the laws and regulations on the net foreign exchange of commercial banks.
- **) The maximum amount of foreign currency term deposit (FCTD) reducing net open position (NOP) (column g) is the amount meeting the requirement of FX TD ≤ NOP (column e) and TD ≤ 5% of the capital (column f).

Letter a
Self-explanatory

Letter b
Self-explanatory

Letter c

“Capital” means the capital as specified in the laws and regulations on the net foreign exchange of commercial banks.

Paragraph (3)

Daily report on the overall net open position at the end of business days by calculating foreign currency term deposit with Bank Indonesia that reduces net open position is submitted through the daily report of commercial banks (LHBU).

Paragraph (4)

Self-explanatory

Article 15

The use of another party's securities by Bank Indonesia in an OMO activity is under an agreement between Bank Indonesia and the securities' owner.

Article 16

Self-explanatory

Article 17

Self-explanatory

Article 18

Self-explanatory

Article 19

Self-explanatory

Article 20

Self-explanatory

Article 21

Self-explanatory

Article 22

Letter a

“SBIS issuance” means SBIS sale by Bank Indonesia in the primary market.

Letter b

“Repo transaction” means sale of securities by a Sharia OMO participant to Bank Indonesia with mandatory repurchase by the Sharia OMO participant at the agreed price and within the agreed period.

“Reverse repo transaction” means purchase of securities by a Sharia OMO participant from Bank Indonesia with mandatory resale by the Sharia OMO participant at the agreed price and within the agreed period.

“Securities adhering to sharia principle” mean SBSN and any other high-quality and liquid securities adhering to sharia principle as determined by Bank Indonesia.

Letter c

“Outright purchase and/or sale of securities adhering to sharia principle” means a straightway purchase and sale transactions.

“Securities adhering to sharia principle” mean SBSN and any other high-quality and liquid securities adhering to sharia principle as determined by Bank Indonesia.

Letter d

Sharia “term deposit with Bank Indonesia in foreign currency” means placement of a Sharia OMO participant's money in a fixed-term with Bank Indonesia in foreign currency.

Letter e

Other transactions adhering to sharia principle in the foreign exchange market include spot and/or derivative transactions aiming for hedging adhering to sharia principles with underlying transactions.

Article 23

Paragraph (1)

“*Al ba’i* contract followed by *wa’d*” means sale and purchase accompanied by covenant (*al wa’d*) by a Sharia OMO participant to Bank Indonesia, in a separate document, to repurchase or resell securities within the agreed period and at the agreed rate.

Paragraph (2)

Self-explanatory

Article 24

Paragraph (1)

“*Ju’alah* contract” means a covenant or commitment (*iltizam*) to give certain rewards (*’iwadh/ju’l*) for accomplishment of a result (*natijah*) determined from a work.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 25

Certain requirement to be met by a Conventional OMO participant to apply for an early redemption among others is the participant may apply for an early redemption no earlier than 3 (three) days after the settlement of foreign exchange term deposit transaction tender.

Article 26

Paragraph (1)

Self-explanatory

Paragraph (2)

An example of reduction in a SCB's net open position affected by sharia term deposit with Bank Indonesia in foreign currency is as follows:

in million rupiah

No	Capital*	NOP before Sharia FCTD		Sharia FCTD	5% of Capital	Maximum Sharia FCTD Reducing NOP	NOP after Sharia FCTD	
							NOP Absolute	NOP Ratio
	a	b	c	d	e	f **)	g	h
			c = b/a		e = 5% x a	d ≤ 5% x a	g = b -f	h = g/a
1	200,000	30,000	15%	35,000	10,000	10,000	20,000	10%
2	200,000	30,000	15%	5,000	10,000	10,000	25,000	12.5%
3	200,000	6,000	3%	6,000	10,000	10,000	0	0%

- *) Capital means the capital as specified in the laws and regulations on the net open position of commercial banks.
- **) The maximum value of sharia foreign currency term deposit (Sharia FCTD) that reduces net open position (NOP) (column f) is the lowest value between column b, column d, and column e.

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

“Capital” means the capital as specified in the laws and regulations on the net foreign exchange of commercial banks.

Paragraph (3)

Daily report on the overall net open position at the end of business days by calculating sharia foreign currency term deposit with Bank Indonesia that reduces net open position is submitted through the daily report of commercial banks (LHBU).

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

Self-explanatory

Article 27

The use of another party's securities by Bank Indonesia in a Sharia OMO activity is under an agreement between Bank Indonesia and the securities' owner.

Article 28

Self-explanatory

Article 29

Self-explanatory

Article 30

Paragraph (1)

“Securities repo” means conditional sale of securities by a Sharia Standing Facilities participant to Bank Indonesia with mandatory repurchase at the agreed price and within the agreed period (sell and buy back) and loan extension by Bank Indonesia to a Sharia Standing Facilities participant with securities as collateral (collateralized borrowing).

Paragraph (2)

Self-explanatory

Paragraph (3)

“*Qard* contract” means interest free borrowing where the borrower must repay the principal at once within a certain period.

“*Rahn*” means collateral put up by an SCB or SBU (*rahin*) to Bank Indonesia (*murtahin*) as security for obtaining *qard*.

Paragraph (4)

“*Al ba’i* contract followed by *wa’d*” means sale and purchase accompanied by covenant (*al wa’d*) by a Sharia Standing Facilities participant to Bank Indonesia, in a separate document, to repurchase or resell securities within the agreed period and at the agreed rate.

Paragraph (5)

Self-explanatory

Article 31

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

“*Wadi’ah* contract” means a contract for deposit of fund between a fund owner and a party entrusted to keep the fund.

Paragraph (4)

Self-explanatory

Article 32

Self-explanatory

Article 33

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

“*Scripless*” means issued without any physical SBI and ownership evidence for the SBI holder in the form of electronic record.

Letter d

SBI is negotiable through trade in the secondary market in the following manners: outright, grant, repo, or collateral.

Article 34

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

“Scripless” means issued without any physical SDBI and ownership evidence for the SDBI holder in the form of electronic record.

Letter d

Self-explanatory

Letter e

SDBI is negotiable between commercial banks through trade in the secondary market in the following manners: outright, grant, repo, or collateral.

Article 35

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

“Scripless” means issued without any physical Foreign Currency SBBI and ownership evidence for the Foreign Currency SBBI holder in the form of electronic record.

Letter d

“Resident” means any individuals, juristic persons, or any other entities domiciled in Indonesia for at least 1 (one) year, including the diplomatic representatives and staff of the Republic of Indonesia overseas.

Ownership of Foreign Currency SBBI in the primary market is conducted through application of Foreign Currency SBBI purchase to a bidder appointed by Bank Indonesia.

Ownership of Foreign Currency SBBI in the secondary market is conducted through market mechanism.

Letter e

Self-explanatory

Letter f

Self-explanatory

Article 36

Self-explanatory

Article 37

Paragraph (1)

Electronic administration in Bank Indonesia is conducted under the provisions of Bank Indonesia for implementation of transactions, administration of securities, and outright fund settlement.

Paragraph (2)

Self-explanatory

Paragraph (3)

“Scripless” means issued without any physical SBI, SDBI, and Foreign Currency SBBI and ownership evidence for their holders in the form of electronic record.

Paragraph (4)

“Another party” among others means sub-registry.

Paragraph (5)

Self-explanatory

Article 38

Self-explanatory

Article 39

Paragraph (1)

SBI transactions with another party include repo, outright sale, borrowing, grant, and collateral.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 40

Paragraph (1)

SDBI transactions include outright sale or purchase, borrowing, giving or receiving grant, repo, or giving or receiving collateral.

Paragraph (2)

Self-explanatory

Paragraph (3)

If another party is appointed to support SDBI administration, such other party may only administer SDBI of commercial banks.

Paragraph (4)

If an intermediary institution makes transactions relating to SDBI, such intermediary institution may only make SDBI transactions between commercial banks.

Paragraph (5)

Self-explanatory

Article 41

Self-explanatory

Article 42

Paragraph (1)

Self-explanatory

Paragraph (2)

Early redemption of SBI, SDBI, and Foreign Currency SBBI is conducted on the initiative of Bank Indonesia based on considerations pertaining to monetary management strategy.

Article 43

Self-explanatory

Article 44

Paragraph (1)

“*Ju’alah* contract” means a covenant or commitment (*iltizam*) to give certain rewards (*’iwadh/ju’l*) for accomplishment of a result (*natijah*) determined from a work.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Article 45

Letter a

SBIS term is stated in calendar days and calculated as of 1 (one) calendar day after a transaction settlement date until the due date.

Letter b

“Scripless” means issued without any physical SBIS and ownership evidence for the SBIS holder in the form of electronic record.

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

Self-explanatory

Article 46

Self-explanatory

Article 47

Paragraph (1)

Electronic administration in Bank Indonesia is conducted under the provisions of Bank Indonesia for implementation of transactions, administration of securities, and outright fund settlement.

Paragraph (2)

Self-explanatory

Paragraph (3)

“Scripless” means issued without any physical SBIS and ownership evidence for the SBIS holder in the form of electronic record.

Paragraph (4)

“Another party” among others means sub-registry.

Article 48

Self-explanatory

Article 49

Self-explanatory

Article 50

Self-explanatory

Article 51

Paragraph (1)

Letter a

“Other party” means any non-Bank financial institution contributing in monetary policy transmission and achievement of Monetary Operation target.

Letter b

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Paragraph (6)

Self-explanatory

Article 52

Self-explanatory

Article 53

Self-explanatory

Article 54

Paragraph (1)

“Bank's operational relationship with Bank Indonesia in monetary field” means participation permit to participate in Monetary Operation in Bank Indonesia.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 55

Self-explanatory

Article 56

Paragraph (1)

Self-explanatory

Paragraph (2)

Letter a

Capacity aspect is the potential capacity of participants and intermediary institutions in Monetary Operation to optimally make transactions in all Monetary Operation instruments, as manifested by complete and latest facilities or infrastructures for transactions in Monetary Operation.

Letter b

Capability aspect is measurement of the capability of participants and intermediary institutions in Monetary Operation to make Monetary Operation transactions with Bank Indonesia, which may be manifested from the level of treasury certification owned.

Letter c

Reputational aspect is measurement of level of stakeholder's trust in participants and intermediary institutions in Monetary Operation.

Paragraph (3)

Self-explanatory

Article 57

Self-explanatory

Article 58

Self-explanatory

Article 59

Bank Indonesia may appoint an OMO participant to support implementation of Monetary Operation transactions among others as an agent bank and/or dealer (primary dealer).

Article 60

Self-explanatory

Article 61

Paragraph (1)

Letter a

Self-explanatory

Letter b

Strategic and fundamental steps, which may result in revocation of participation permit in Monetary Operation, include merger, amalgamation, demerger, and status change.

Letter c

Self-explanatory

Paragraph (2)

Self-explanatory

Article 62

Paragraph (1)

Self-explanatory

Paragraph (2)

“Cancel a transaction quote” means any participant and intermediary institution in Monetary Operation withdraw a submitted transaction quote.

Paragraph (3)

Self-explanatory

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory

Article 63

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Paragraph (4)

Letter a

Provision of fund in rupiah giro account with Bank Indonesia applies for mandatory settlements of transactions in rupiah.

Letter b

Provision of sufficient fund in rupiah giro account with Bank Indonesia applies for mandatory settlements of transactions in rupiah.

Letter c

Transfer of foreign currency fund to Bank Indonesia's account in a correspondent bank appointed by Bank Indonesia applies for mandatory settlements of transactions in foreign currency.

Paragraph (5)

Self-explanatory

Paragraph (6)

Letter a

Term deposit transactions in Bank Indonesia in foreign currency include term deposit transactions with Bank Indonesia in foreign currency and sharia term deposit transactions with Bank Indonesia in foreign currency.

Letter b

Self-explanatory

Article 64

Self-explanatory

Article 65

Self-explanatory

Article 66

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

Direct transaction monitoring is conducted through interaction with actors in the financial market.

Indirect transaction monitoring is conducted through utilization of different financial market information and data available in a system specifically established for monitoring or in any other medium.

Article 67

Paragraph (1)

Supervision of Monetary Operation is conducted among others against participants and intermediary institutions in Monetary Operation and transactions made by participants and intermediary institutions in Monetary Operation.

Supervision of Monetary Operation is conducted by referring to the provisions of Bank Indonesia for monetary regulation and supervision.

Paragraph (2)

Self-explanatory

Article 68

Self-explanatory

Article 69

Self-explanatory

Article 70

Monetary Operation transactions with second leg among others are repo and reverse repo transactions.

Article 71

Self-explanatory

Article 72

Self-explanatory

Article 73

Self-explanatory

Article 74

Self-explanatory

Article 75

Self-explanatory

Article 76

Self-explanatory

Article 77

Self-explanatory

Article 78

Self-explanatory

Article 79

Self-explanatory

Article 80

Self-explanatory

Article 81

Paragraph (1)

“Short-term liquidity loan or short-term sharia liquidity financing” means the short-term liquidity loan or short-term sharia liquidity financing as specified in the provisions of Bank Indonesia for short-term liquidity loan or short-term sharia liquidity financing.

Expansional CMO among others are repo transactions for Conventional OMO and lending facility transactions for Conventional Standing Facilities.

Expansional SMO among others are repo transactions for Sharia OMO and financing facility transactions for Sharia Standing Facilities.

Paragraph (2)

Self-explanatory

Article 82

Paragraph (1)

Letter a

Unfulfilled requirements for obtaining permit as a participant or intermediary institution are based on the Bank's and/or intermediary institution's assessment or administrative investigation by Bank Indonesia into the permit application submitted by the Bank and/or intermediary institution.

Letter b

Self-explanatory

Letter c

Self-explanatory

Paragraph (2)

Self-explanatory

Article 83

Paragraph (1)

Banks and brokers of rupiah and foreign exchange market may participate in Monetary Operation after obtaining permit from Bank Indonesia.

Paragraph (2)

Self-explanatory

Article 84

Self-explanatory

Article 85

Self-explanatory

Article 86

Self-explanatory

Article 87

Self-explanatory